

CHAPTER 3 — TYPES OF INSURANCE

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The Wisconsin Public Employers' Group Life Insurance Program offers group term life insurance to state and local government employees. There are five levels of coverage available to state employees. The governing body of each local government employer must pass a resolution for the levels of coverage that it wishes to offer.

300 Basic

Basic insurance offers the following benefits:

- Group term life insurance equal to 100% of the employee's previous calendar year earnings, as reported to the WRS, rounded to the next higher thousand dollars.
- Accidental death and dismemberment benefits equal to the face amount of the Basic insurance, up to age 65 (or age 70, if actively employed). (See Subchapter 304 for more information.)
- Waiver of premium during an employee's total disability, occurring for any cause. (See Chapter 14 for more information.)
- Living benefits up to the face value, payable to the insured, in case of terminal illness or permanent confinement to a nursing home. (See Subchapter 305 for more information.)
- Optional conversion of post-retirement life insurance to pay premiums for health or long-term care insurance plans offered by ETF. (See Subchapter 305 for more information.)
- Post-age 65 coverage for retirees at 25% or 50% of the pre-retirement Basic coverage amount, at no cost to the insured after age 65 for life. The amount of post-retirement coverage is shown on the continuing coverage table below.

Age	Percent of Pre-Retirement Basic Coverage in Force	
	Local	State
Before age 65	100%	100%
While age 65	75%	75%
While age 66	50%	50%
While age 67 and after	25% *	50%

- * The 25% continuing coverage factor applies only to employees of local government units. Local government employers may elect continuation of 50% of the Basic coverage if they agree to make the increased contribution. (See Subchapter 906 for more information regarding the 50% post-retirement benefit resolution.)

301 Supplemental

Supplemental coverage is available to State employees and to local government employees if the employer has filed a resolution to offer the coverage.

- The benefits offered under the Supplemental coverage are identical to Basic coverage, except that there is no over-age 65 benefit for retirees.
- An employee must have Basic coverage in order to be eligible for Supplemental coverage. Supplemental coverage for a retired employee ceases at age 65. For active employees, Supplemental coverage continues until retirement or age 70, whichever comes first.
- Prior to April 24, 1990, a 50% Supplemental Plan was available. Employees covered under the 50% plan before April 24, 1990 retain this coverage until they no longer participate in this group plan, they elect to cancel this coverage, or coverage terminates due to age or retirement.

Local government employers are not required to contribute toward the cost of the coverage. State agencies contribute premiums equal to 35% (effective 3/1/97) of the employee-required premium. (See Chapter 9.)

302 Additional

A. Additional Coverage

Additional coverage up to three units is available to State employees. Local government employees may enroll if their employer has filed a resolution to offer the coverage.

- Each unit is equal to 100% of the employee's previous WRS calendar year earnings rounded to the next higher thousand.
- Employees may apply for one, two or three units of coverage depending on the levels offered by their employer.
- The benefits offered under the Additional coverage are identical to Basic coverage, except that there is no over-age 65 benefit for retirees.
- An employee must have Basic coverage in order to be eligible for Additional coverage.
- Additional coverage for retired employees ceases at age 65.
- For active employees, Additional coverage continues until retirement or age 70, whichever comes first. Employees who remain in active employment after age

70 may apply for continued coverage under the Age 70 and Over Additional plan.

B. Age 70 and Over Additional Coverage

- Active employees enrolled in the Additional Plan may apply for Age 70 and Over Additional coverage without providing evidence of insurability by submitting an application to the employer prior to turning age 70. Active employees not enrolled in the Additional Plan may apply for Age 70 and Over Additional coverage (if offered by their employer), but must provide evidence of insurability.
- Each unit is equal to 100% of the employee's previous WRS calendar year earnings rounded to the next higher thousand.
- Employees may apply for one, two or three units of Age 70 and Over Additional coverage, depending on the number of units offered by their employer.
- The benefits offered under the Age 70 and Over Additional coverage are identical to Basic coverage, except that there is no over age 65 benefit for retirees.
- Basic coverage is not a prerequisite for Age 70 and Over Additional coverage.
- Coverage ends on the date the employee terminates employment.

303 Spouse and Dependent

This plan, available to individuals covered by the Basic Plan (if the employer has elected to offer the coverage), provides term insurance for an employee's legal spouse and/or dependent children.

- The employee may elect one or two units of coverage.
- For each unit of coverage, the spouse is insured for \$10,000 and each dependent is insured for \$5,000. The Group Insurance Board may authorize coverage increases from time to time.
- Premiums will be waived during the employee's total disability.
- Living benefits are payable to the insured in case of terminal illness or permanent confinement to a nursing facility, up to the face value of insurance.
- An insured spouse or dependent may convert to an individual policy if the coverage was in effect for six continuous months prior to the employee's termination of employment, death, divorce, or dependent's loss of eligible status.
- If both parents are covered under this insurance program, both parents may carry spouse and dependent coverage.

- In the event of a spouse or dependent death, the employee is the beneficiary. When both parents have coverage on a dependent child, a death benefit will be paid for each coverage.

304 Accidental Death and Dismemberment

A. Coverage under the Basic, Supplemental and Additional plans include benefits payable for accidental death or dismemberment. This benefit continues while insurance is in force and the employee reaches age 65, if retired, or age 70 if still actively employed.

- Insurance on a spouse or dependent child does not include the accidental death and dismemberment benefit.
- In case of accidental death, as defined in the contract, the employee's life insurance proceeds are doubled.
- The amount of Accidental Dismemberment benefit paid depends on the severity of the injury.

B. The tables below list the benefit payment for each type of loss:

Coverage A - Loss of Life, Limb or Sight

LOSS	BENEFIT PAYMENT
Life	Principal Sum
2 or more members	Principal Sum
1 member	$\frac{1}{2}$ Principal Sum
Thumb and index finger on same hand	$\frac{1}{4}$ Principal Sum

The "Principal Sum" is the total amount of coverage (Basic, Supplemental and/or Additional) in effect. "Member" means hand, foot or eye.

Coverage B - Permanent and Total Loss of Use

LOSS	BENEFIT PAYMENT
Each hand or foot from wrist or ankle	$\frac{1}{4}$ Principal Sum
Each arm or leg from shoulder or hip	$\frac{1}{2}$ Principal Sum

Permanent and total loss of use means the permanent and total loss of the ability to function because of incurable paralysis or stiffening resulting from accidental injury.

C. Limitations on Accidental Death and Dismemberment Coverage

For payment of benefits under coverage A and B, the loss must:

- Result from bodily injury, as shown by a visible contusion or wound on the exterior of the body, except in the case of drowning.
- Be suffered solely through external, violent and accidental means.
- Be the direct result of an injury, independent of all other causes.
- Occur within one year of the date of the accident.

This benefit is not payable if the death or other loss results from:

- War, declared or undeclared, or any act incident to war.
- Travel or flight in or on any military aircraft other than as a passenger in a transport aircraft, or through participation as a passenger or otherwise in any military aeronautic operation.
- Participation in, or attempt to commit an assault or felony.
- Intentional self-inflicted injury or suicide or any attempt while sane or insane.
- Bodily or mental infirmity, illness or disease, directly or indirectly.
- Poisoning or bacterial infection other than infection occurring in consequence of an accident.

D. Payment of Benefits

In case of injury, if more than one loss results from any one accident, payment will be made for the one loss for which the largest amount is payable, not to exceed the Principal Sum. If an employee that has received payment for a loss listed under coverages A or B incurs a subsequent loss to a different limb or member, payment shall be made for that loss without reference to any previous loss. Under no circumstances, however, will more than one payment be made for the loss or the loss of use of the same limb or member or part thereof.

Benefits for loss of life will be paid to the employee's beneficiary. Benefits for any other loss will be paid to the employee.

See Subchapter 1505 for information about filing a claim for Accidental Death and Dismemberment benefits.

305 Payment of Life Insurance Proceeds Prior to Death

Employees can obtain use of their life insurance proceeds before death under two different provisions of the statutes and life insurance contract. These two provisions are mutually exclusive; a person who chooses one of the two provisions forfeits the possibility of choosing the other.

A. Living Benefits

In case of serious medical problems, life insurance proceeds can be paid during the lifetime of the insured person (including a spouse or child insured under the Spouse and Dependent Plan). There are no age requirements. The insured person must meet one of the following criteria:

- Has a terminal condition caused by sickness or accident which directly results in a life expectancy of 12 months or less;
- Has been confined in a skilled, intermediate, or custodial care facility for six continuous months and is expected to continue to be confined until death; OR
- Has been admitted to a certified Hospice Care program.

Medical evidence is required, and must be acceptable to MLIC in order for the benefit to be paid. For more information about living benefits, see Subchapter 1507.

B. Conversion of Life Insurance to Pay Other Insurance Premiums

Wis. Stat. § 40.72(4r) provides that an insured participant may convert his or her life insurance coverage to pay health or long-term care insurance premiums. For more information about converting life insurance to pay premiums, see Subchapter 1508.

The insured need not meet any medical criteria in order to qualify, and the IRS has indicated that life insurance proceeds used in this way do not create a tax liability. However, several important restrictions apply:

- The participant must have reached the final insurance reduction age (age 66 for all state retirees and for local retirees whose employer provides a 50% post-retirement benefit; age 67 for all local retirees whose employer provides a 25% post-retirement benefit; and age 70 for all active employees).
- The participant must have health or long-term care insurance administered by ETF. Non-ETF plans do not qualify for this program.
- The amount converted will be the present value, not the face value, of the coverage. The present value is always less than the face value.
- For tax reasons, the converted amount cannot be paid directly to the insured. The insured's health or long-term care insurance premiums will be administered by MLIC until the sum is exhausted.
- The maximum face amount that can be converted is \$50,000.